

MFSA Newsletter

July 2014

MFSA
MALTA FINANCIAL SERVICES AUTHORITY

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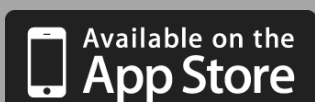
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MFSA Annual Report for 2013

2013 has been another successful year for the Maltese financial services industry, with activity recorded in all sectors of the finance industry as trading conditions eased and signs of growth began to appear in the larger economies. MFSA Chairman Professor Joseph Bannister said this in introduction to the MFSA Annual Report for 2013.

Growth and new licences were registered across the range of the industry. The fund services infrastructure in Malta continued to build up in 2013 with the issuance of more investment services licences predominantly at Category 2 level. There were 125 investment service licences at the end of 2013, a net increase of almost 11 per cent from the previous year.



During the year in review, the Authority licensed 135 new Collective Investment Schemes (including sub-funds), a slight increase over the previous year. While the number of new licensed PIFs remained almost at the same level of the previous year, the number of new licensed UCITS funds doubled during the same period. Additionally, there were 188 non-Malta domiciled funds (including sub-funds) administered by Malta-based fund administration companies at the end of 2013. This represents an increase of 31 percent from the previous year. Among the emergent niches of growth, retirement pension schemes registered an increase of 88 per cent when compared to the previous year. Additionally, there were two retirement funds registered in terms of the Act.

In the introductory statement, the Chairman focused on the immediate future and, most notably, on the new EU regulatory requirements as they affect each key part of the industry. "The new approach presents significant challenges to the industry and regulators alike. They aim to lay the foundations for a more stable, robust and competitive finance industry in the future. In addition to the new structures, legislation and regulations emanating from the EU, the world's two largest financial services economies, the USA and the UK, have also carried out reforms in their regulatory structures, philosophy and legislation. Other high quality jurisdictions around the world have made or are implementing adjustments as to how the finance sector is regulated. Taken as a whole, there is no doubt that we are experiencing the biggest changes to financial regulation the world has known and all this is happening at unprecedented speed" commented Professor Joe Bannister.

"Confidence is the critical element and fundamental to the EU's ability to remain globally competitive in financial services, attract corporate and private capital, develop products that meet market needs and enhance the industry's ability to sustain healthy profit margins. This is a challenging time for the finance sector in Europe and North America. Asia, Africa and South America are producing new corporate and private wealth and the finance industry, both local and international, is establishing a broad range of services and expertise to assist customers in emerging markets. In the mature, mainly Western economies, governments have to tackle high levels of national debt, a decrease in the numbers of economically active people as the aged become the largest group in society and escalating costs for public health and social care. These changes are creating new product openings for the finance sector, though in these politically delicate areas consumer and political confidence, value for money and clear customer benefits will be fundamental to success."

With regards to regulation, the Chairman stresses the fact that while structure and details will vary across the globe, in high quality jurisdictions broadly similar philosophies, rules and procedures will apply. In banking, insurance, fund management and investment services the same patterns are apparent worldwide; convergence on consumer protection, corporate governance and regulation and centred on transparency, high standards of personal and corporate conduct and fit for purpose people. Regulators and the regulated have to respond to new levels of complexity and legally codified standards of corporate and individual behaviour. All sectors of the finance industry now have to comply with new requirements in liquidity, corporate governance, consumer protection, transparency, conduct of business rules and with tighter laws and obligations regarding preventing market abuse, money laundering and corruption.

Malta is more advanced in enshrining the new EU legislation in law than any other EU nation. Malta was the first jurisdiction to complete the transposition of the Alternative Investment Fund Management Directive. The new legislation and regulations coming into force will, particularly in the early years, put very considerable demands on the people and resources of the MFSA. New systems always take time to be introduced and, in the complex world of financial services, the Authority, industry representative bodies and individual firms will have to reach conclusions on a great many issues of meaning, interpretation and purpose.

Locally, the MFSA has decided to review the conduct of business regulatory regime for the investment services sector, with the primary goal of enhancing customer protection. The consultation paper issued to interested parties addressed various issues, such as defining types of customer, measuring risk, the dissemination of information on risk, "know your customer" tests, standards of care, records and disclosures, professional standards, designations, transparency and qualifications for advisory functions, measures on inducements and disclosure of remuneration. The Authority's proposals have gone out to consultation and the feedback is now being evaluated.

The recommendations are entirely in line with EU requirements and aim to ensure that Maltese consumers and investors have acceptable levels of protection and that the rules are applied by firms in Malta in ways that enhance consumer confidence and build on the country's established reputation for business probity and high standards. The Conduct of Business Rules define, in principle, the same standard of behaviour to be expected of any financial business in the post-crisis world.

Given the new complexities of the pan-EU regulatory scene, it is more important than ever that the MFSA and industry representatives continue to play an active role in their respective EU consultative and policy fora. It will be a challenge for us all to apply the new regimes and keep an eye open for threats and opportunities that arise from implementation and revision across Europe.

"High standards, openness, cooperation, entrepreneurship and nimbleness characterise the Maltese financial services sector. The MFSA is characterised by expertise, knowledge, rigour, impartiality, fairness and a commitment to service. By ensuring that all of these qualities remain strong at the Authority and in the industry the country can continue to reap the benefits for many years to come", concluded Professor Bannister.

The report is available for download from the [MFSA website](#).

Consumer Complaints Unit Annual Report 2013

The MFSA Consumer Complaints Unit Annual Report for 2013, issued this month, provides an in-depth statistical review as well as an analysis of the types of complaints received by the Unit from a growing number of financial services consumers.

Introducing the report, MFSA Chairman Professor Bannister recalled that the opening up of Malta's retail markets for financial products and the creation of investment funds which could be sold from local bank branches, brought about new investment opportunities for Maltese consumers. This meant that the manner in which financial products were being marketed and sold to consumers required close attention.

In parallel, the MFSA has been very active in the field of financial education. The various publications, media participation and online presence have been seminal in the creation of awareness of the existence and role of the Authority in consumer affairs. Investment diversification, as well as risk-reward weightings have featured as common themes in consumer awareness campaigns, along with other key messages relating to investments.

"Through its impartial and fair assessment of a wide range of complaints, the Consumer Complaints Unit has over the years given valuable input to the Authority's regulatory structures about the manner some financial firms have operated and sold products to consumers."



During 2013, the Unit processed 21 cross-border complaints, 15 of which were from policyholders who acquired an insurance policy from companies authorised in Malta but operating in another EU member state under Freedom of Services. The majority of these complaints were referred to the Complaints Manager by the alternative dispute resolution scheme of the policyholders' country of residence.

The Authority has now embarked on a thorough review of the current framework of conduct of business which now needs to take into account the evolving needs and expectations of financial services consumers. The Authority will be consulting widely on a revised code which should set out the mandatory requirements that all financial services providers are obliged to satisfy when dealing with clients.

The report is available for download from the [MFSa Website](#).

Job Exposure in Financial Services : Programme 2013-14



The MFSa, through the Education Consultative Council (ECC), held again the Job Exposure Programme in collaboration with the Directorate of Education Services, the Independent and Church Schools.

The programme provides a job-related experience to Form IV students pursuing studies in business, accounting and economics. This year's programme was spread throughout the scholastic year from 11th November 2013 through to the week of 7th July 2014. Selected students had a work exposure of one week within a financial services related firm.

The participating students, who were chosen through a selection process, amounted to ninety-six. They were assigned to twenty-six firms within the financial service sector which generously offered to participate in this event.

The Job Exposure Programme has been one of the Education Consultative Council's (ECC) annual events for the last six years. Its main objectives are to:

- make students aware of existing careers within the industry;
- encourage students in pursuing a career in the sector;
- enable students focus better on their studies and academic routes;
- enable students understand better what goes on in a working environment on a day-to-day basis.

Overall, this year's Job Exposure Programme proved to be yet another successful event as the general comment expressed by students confirmed that the experience was a positive one which enabled them acquire a deeper understanding of business ethics, interpersonal skills, internal communication between departments, the flow of processes and the different academic backgrounds required for the various functions within the industry.

Moreover, during the week with their respective hosting firm, students were encouraged to seek information about work-related issues, observe work processes closely and realise how theoretical knowledge is applied during the normal course of business.

The organisations that participated in the Job Exposure programme for 2013-14 were:

Malta Financial Services Authority, AON Insurance Management Limited, Valletta Fund Services Ltd, Malta Stock Exchange, Deloitte, Victoria Insurance Agency Limited, IFS Malta, PricewaterhouseCoopers, Bank of Valletta plc, Laferla Insurance Agency Limited, Bentley Trust (Malta) Ltd, BANIF Bank, Camilleri Preziosi Advocates, HSBC Life Assurance (Malta) Limited, KPMG, Grant Thornton, Island Insurance Brokers Limited, Atlas Insurance, GasanMamo Insurance Limited, FinanceMalta, Marsh Management Services Malta Limited, Mediterranean Bank plc, Central Bank of Malta, Malta Institute of Accountants, MSV Life plc and MITC.

This programme complements the familiarisation visits by the MFSa for students. The total number of students who visited the MFSa during the scholastic year 2013-14 reached 670. During such visits students are introduced to the 'careersinfinance website' by staff from the MFSa HR Unit. This website is the ECC's main portal featuring tailor-made information for secondary, post-secondary and University students, as well as people who are returning to work in the sector.

Moreover, MFSa staff members within the Consumer Complaints Unit also provided information to students on financial literacy.

Economic and Market Overview Report

Confidence within the European Union slowly gained pace during 2013 and the first half of 2014 showing greater expectations for further economic recovery and expansion, as well as growth in consumption for the forthcoming period. A large number of member states have continued to implement fiscal consolidation measures and structural reforms which are demonstrating to be effective in controlling government deficits. However general government debt is still accumulating and is projected to continue increasing. The disinflationary trend experienced during 2013 in the Euro Area continued to persist during the year, with the ECB reiterating its readiness to tackle such deflationary pressures with the result of interest rates cuts.

Malta's economy continued to outperform that of the Euro Area average during 2013 with economic growth projected to accelerate during 2014. Employment is forecasted to expand further through the additional participation of female workers in the labour market contributing towards economic expansion. The general government fiscal position is expected to improve further in line with the reduction in government deficit as registered during 2013. Furthermore, the financial system in Malta remained stable with effective supervisory practices being a partial contributor to this robustness. In view of the implementation of the Banking Union, the financial institutional framework of Malta together with that of the whole Eurosystem will continue to be safeguarded and integrated further.



Further insight on the economic performance of Malta and the Euro Area may be found in the sixth issue of the Economic and Market Overview report published on the MFSA website. The report presents various economic and financial services statistical data and trends, as well as an analysis of the economic outlook for both Malta and the Euro Area. Additionally, an overview on the building blocks forming the Banking Union framework is provided in the report. The Economic and Market Overview report may be accessed from the MFSA website www.mfsa.com.mt under Publications.

Industry Updates

MAR & MAD II

On 15th July 2014, the following two consultation papers on the Market Abuse Regulation (MAR) were published by the European Securities and Markets Authority (ESMA):

Consultation Paper (Draft Technical Standards on the Market Abuse Regulation) (MAR Technical Standards), which can be accessed by following this [link](#) and the **Consultation Paper (ESMA's Draft Technical Advice on Possible Delegated Acts concerning the Market Abuse Regulation)** (MAR Technical Advice), which can be accessed by following this [link](#).

These consultation papers tackle the following issues:

- market manipulation indicators;
- prevention and detection of market abuse, including suspicious transactions and order reporting;
- accepted market practices;
- market soundings;
- conditions for and disclosure of buy-back programmes and transaction stabilisation;
- disclosure of managers' transactions;
- provisions for insider lists;
- disclosure of inside information, including possible exemptions and delays; and

- investment recommendations or other information recommending or suggesting an investment strategy by staff, including the avoidance of conflicts of interests.

These papers may be specifically of interest to any investor that deals in financial instruments and emission allowances subject to MAR, issuers of instruments within the scope of the Regulation, financial intermediaries, operators of trading venues and participants in the emission allowance market. Feedback may be provided on both papers until the **15th October, 2014**. All contributions should be submitted online at www.esma.europa.eu under the heading 'Your in-put/Consultations'.

AIFMD - Technical Standards

On 24 June 2014, Regulatory Technical Standards (RTSs) determining the types of alternative investment fund manager ("AIFM") managing Alternative Investment Funds (AIFs) was published in the Official Journal of the European Union. The legislation supplements the Alternative Investment Fund Managers Directive, providing detail on the circumstances when an AIFM will be considered to be managing open-ended AIFs or, alternatively, close-ended AIFs.

The RTSs can be accessed through the following link: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0694&qid=1405494452777&from=EN>

Contacts

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European Supervisory Authorities Press Releases issued during July 2014

European Securities and Markets Authority (ESMA)



28/07/2014 - [ESMA Securities and Markets Stakeholder Group seeks new member to represent users of financial services](#)

15/07/2014 - [ESMA defines new market abuse regime](#)

11/07/2014 - [ESMA defines central clearing of interest rate and credit default swaps](#)

European Central Bank



17/07/2014 - [ECB publishes disclosure process for comprehensive assessment](#)

European Banking Authority (EBA)



07/07/2014 - [EBA proposes potential regulatory regime for virtual currencies, but also advises that financial institutions should not buy, hold or sell them whilst no such regime is in place](#)

MFSA Licences - June 2014

NEW LICENCES

Collective Investment Schemes

Professional Investor Funds targeting Qualifying Investors

- Collective Investment Scheme licence issued to **W1 Fund SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Dalma Capital SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Paragon SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Prague Development SICAV plc** in respect of one sub-fund.
- Collective Investment Scheme licence issued to **Pilatus SICAV plc** in respect of three sub-funds.
- Collective Investment Scheme licence issued to **Brickstone Real Estate Funds SICAV plc** in respect of one sub-fund.

UCITS

- Collective Investment Scheme licence issued to **Dominion Global Trends SICAV plc** of one sub-fund.

Incorporated Cells

- Collective Investment Scheme licence issued to **Aros Cash Alternative SICAV IC plc**.
- Collective Investment Scheme licence issued to **Kalliste Fund IC SICAV plc**.

Investment Services

- Category 1A licence issued to **Conseils en Finances Limited**.
- Category 1B licence issued to **Langlade Capital Advisors Limited**.
- Category 2 licence issued to **W1 Capital Management Limited**.
- Category 2 licence issued to **Gamma Capital Trader Limited**.
- Category 2 licence issued to **Timberland Fund Management Limited**.

Insurance

Cells

- Approval of **ABTA Cell** as a cell of **Lime Street Insurance PCC Limited** to carry on business of insurance in one class of the general business.

SURRENDERED LICENCES**Collective Investment Schemes***Professional Investor Funds targeting Qualifying Investors*

- Surrender of licence issued to **Global Mediscience Fund SICAV plc**.
- Surrender of licence issued to **Global Mediscience Master SICAV plc**.
- Surrender of licence issued to **HMP Woodman Funds SICAV plc** in respect of one sub-fund.
- Surrender of licence issued to **Trevose Global Opportunity Fund SICAV PLC** in respect of one sub-fund.
- Surrender of licence issued to **The NEAS Energy Funds (SICAV) plc** in respect of one sub-fund.

Non-UCITS

- Surrender of licence issued to **LaValette Funds SICAV** in respect of three sub-funds.

EXTENDED AND REVISED LICENCES**Investment Services**

- Revision of licence issued to **FCS Asset Management Limited** to be also able to act as an Alternative Investment Fund Manager and accordingly have dual authorisation in terms of both the AIFM and the UCITS Directive.

Registry of Companies - New Registrations - June 2014

Companies	Partnerships	Total
400	11	411

MFSA Announcements



MFSA Circulars

- 16/07/2014 - [Circular to the financial services industry on the publication of a new regulation with regard to regulatory technical standards determining types of alternative investment fund managers](#)
- 03/07/2014 - [Notice to Financial Services Licence Holders - FATF identifies jurisdictions with strategic deficiencies](#)
- 03/07/2014 - [Note for Information - EIOPA consults on the use of the LEIs](#)
- 02/07/2014 - [Circular addressed to the Financial Services Industry – MiFID II / MIFIR and MAD / MAR](#)
- 02/07/2014 - [Industry Update - UCITS V](#)



Warnings

- 21/07/2014 - [St. Publius Corporate Services Limited - http://www.stpublius.com/ & Updates 13.01.2014, 21.07.2014](#)

Foreign warnings received by MFSA can be viewed on the [MFSA Website](#).



Forthcoming Events

18-19/09/2014 - [The 4th Annual Malta Spring Fund Conference 2014](#)

The 4th Annual Malta Fund Conference
AIFMD ONE YEAR AFTER
Implications for Funds, Managers, Service Providers
September 18th & 19th Morning, 2014 – Hilton – St. Julian's Bay – Malta

11-12/11/2014 - [European Captive Forum 2014](#)



Education Consultative Council (ECC)

Training by members of the ECC:

- [Malta International Training Centre](#)
- [Malta Institute of Accountants](#)
- [Institute of Financial Services](#)



You can keep up-to-date on our news and regulatory developments by regularly visiting our [website](#) or by subscribing to our [RSS feeds](#).

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